Debt-Elimination Plan Instruction Sheet

1. Open the "Debt-Elimination Plan Worksheet" in "Tools." Fill out one box per debt. To compute your "pay-off ratio" number for any debt, take the total remaining loan amount and divide it by your minimum monthly loan payment. That will yield a number, your "pay-off ratio." (Example: if your total remaining loan amount is $5,000 and your minimum monthly payment is $200, your pay-off ratio number would be 25.)
2. Enter the pay-off ratio number in the appropriate line in the box. When you start your debt elimination program, the first loan you pay off will be the one with the lowest pay-off ratio.
3. Now look at the "Financial Freedom Planner" calculator in "Tools" (part of an Excel spreadsheet called "Debt Elimination Calculators"). This tool will help you determine how much you would have to pay a month on a given debt in order to pay it off within a given number of years. Find the amount you owe in the left column, then pick the number of years you would like to take to eliminate that debt. Find the box that corresponds to both of those numbers, and the number inside it is the dollar amount you would have to pay monthly to have the debt dissolved by then. (Example: if a particular debt is $10,000 and you want to pay it off within 5 years, you could do that if you spend $212 a month from now on paying it down.)
4. Take a look at the "Wealth Creation Calculator" in "Tools" (also part of that same Excel spreadsheet called "Debt Elimination Calculators"). This tool shows you how much a given amount of invested money will yield over a given period of time at a given return rate. Pick a dollar amount from the first row of figures ($ per month). Then look down the column below it to find out how much money you would have after so many years of investing that amount every month in a 10-percent-return-rate investment, a 15-percent-return investment, and a 25-percent-return investment. (Example: if you put $500 a month into an account that yields 10 percent, in 20 years you would have a total of $379,687 in that account. If you invested the same amount of money in an account yielding 20 percent, in 20 years you would have a total of $748,619.)
5. If at this moment $500, $1000 or $2000 seems to you like a lot of money to invest each month, that is probably because you are paying a lot each month on your debts. Once you have eliminated those debts, you will add all your previous debt money toward investing along with your 10-percent AIP money. At that point, $500 or $2000 won't seem daunting anymore. It will seem quite doable.
6. Inspire yourself by looking at the figures. (Example: if you put away just $1000 a month in an account with a 15-percent return rate, in 20 years you would own one-and-a-half-million dollars in that account. In 40 years, that amount would have grown to 31-million!)